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C O N F I D E N T I A L SECTION 1 OF 4 USNATO 6232

E.O. 11652: GDS

TAGS: PFOR, NATO, XM

SUBJ: NATO EXPERT GROUP REPORT ON SITUATION IN LATIN AMERICA

1. FOLLOWING IS TEXT OF REPORT ON LATIN AMERICA PREPARED BY NATO EXPERTS GROUP WHICH MET HERE OCT 21-23, 1975. REPORT HAS NOT YET BEEN SCHEDULED FOR NAC CONSIDERATION, BUT WE WOULD APPRECIATE DEPARTMENT SUGGESTIONS FOR COMMENTS TO MAKE ABOUT REPORT IN NAC DISCUSSION.

2. WE NOTE IN PARTICULAR REPORT'S VERY BRIEF MENTION OF PANAMA CANAL TREATY NEGOTIATIONS. WE WOULD APPRECIATE CONTINGENCY GUIDANCE ON WHICH WE MIGHT DRAW IN THE EVENT PERMREPS ASK FOR INFORMATION ON THIS SUBJECT.

3. ACTION REQUESTED: GUIDANCE ON EXPERTS' REPORT AND ON PANAMA CANAL NEGOTIATIONS.

4. BEGIN TEXT:

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PART I - INTER-AMERICAN RELATIONS

1. THE INTER-AMERICAN SYSTEM NOW APPEARS TO BE MORE COHERENT THAN AT ANY TIME IN THE PAST SEVERAL YEARS. EXCESSIVE EXPECTATIONS HAVE GIVEN WAY TO A MORE REALISTIC APPROACH AND ANUMBER

OF POINTS OF FRICTION HAVE BEEN REMOVED. THIS HAS RESULTED FROM THE FOLLOWING DEVELOPMENTS;

- A SENSE THAT THE UNITED STATES GOVERNMENT IS PAYING CLOSER ATTENTION TO ITS RELATIONS WITH THE AREA. IN SPITE OF THE APPARENT DEMISE OF THE "NEW DIALOGUE" SERIES OF FOREIGN MINISTERS' MEETINGS, THE DIALOGUE SERVED TO RE-ENGAGE THE UNITED STATES GOVERNMENT WITH LATIN AMERICAN ISSUES.

- A SUCCESSFUL MEETING OF THE OAS GENERAL ASSEMBLY IN MAY IN WHICH INFORMAL PRIVATE CONVERSATIONS AMONG THE FOREIGN MINISTERS - A PROCEDURAL INNOVATION INSPIRED BY THE NEW DIALOGUE MEETINGS - SERVED TO TAKE THE HEAT OUT OF SEVERAL CONTROVERSIAL ISSUES.

- THE REMOVAL OF THE MANDATORY OAS SANCTIONS AGAINST CUBA AT A SPECIAL CONFERENCE HELD IN SAN JOSE, COSTA RICA, IN JULY. THE MANDATORY CHARACTER OF THESE SANCTIONS HAD BEEN A SOURCE OF CONTENTION WITHIN THE OAS.

- AGREEMENT AT THE SAN JOSE MEETING ON A PROTOCOL OF AMENDMENT TO THE RIO TREATY WHICH DID NOT FUNDAMENTALLY ALTER THE NATURE OF THE PACT BUT WHICH MET LATIN AMERICAN ASPIRATIONS TO CIRCUMSCRIBE MORE CAREFULLY THE APPLICABILITY OF THE TREATY. THE MOST NOTABLE CHANGE WAS TO REDUCE THE NUMBER OF VOTES REQUIRED TO LIFT COLLECTIVE SANCTIONS WHICH MAY BE IMPOSED UNDER THE TREATY FROM TWO-THIRDS TO A SIMPLE MAJORITY. A MOVE BY PERU TO LIMIT THE APPLICATION OF THE TREATY TO ATTACKS BY ONE PARTY ON ANOTHER, I.E. TO EXCLUDE ATTACKS FROM OUTSIDE THE HEMISPHERE, WAS REJECTED BY THE MAJORITY.

2. THE INTER-AMERICAN SYSTEM IS EVOLVING, ALBEIT SLOWLY, TO ADAPT TO CHANGING WORLD CONDITIONS. CERTAIN LATIN AMERICAN MEMBERS OF THE SYSTEM, CHIEFLY THE LARGER COUNTRIES, INCREASINGLY FIND THAT THEIR RELATIONS WITH THE OUTSIDE WORLD, INCLUDING THE UNITED STATES, REQUIRE A HEAVY EMPHASIS ON BILATERAL AND GLOBAL DIPLOMACY AND LESS RELIANCE ON REGIONAL CONFIDENTIAL

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FORRA LIKE THE OAS. AT THE SAME TIME, OTHER COUNTRIES APPEAR TO WANT TO USE THE SYSTEM TO INCREASE THEIR LEVERAGE ON THE UNITED STATES. THIS CLEARLY IS THE THRUST OF THE PERUVIAN EFFORT TO OBTAIN APPROVAL OF A COLLECTIVE ECONOMIC SECURITY TREATY WHICH WOULD PROVIDE FOR SANCTIONS AGAINST SO-CALLED "ECONOMIC AGGRESSION". THE LATTER PROPOSAL IS AMONG THE MORE DIFFICULT ISSUES BEING DEALT WITH BY THE OAS DURING THE CURRENT DELIBERATIONS OVER AMENDMENTS TO THE OAS CHARTER. PANAMA ALSO SEES VALUE IN THE OAS AS A MEANS OF EXERTING THE COLLECTIVE WEIGHT OF THE LATIN AMERICAN GROUP ON THE US TO REACH AGREEMENT ON A NEW PANAMA CANAL TREATY.

3. IN GENERAL, HOWEVER, THE EVENTS OF THE PAST YEAR GIVE

EVIDENCE THAT BOTH THE LATIN AMERICAN NATIONS AND THE UNITED STATES CONTINUE TO REGARD THE INTER-AMERICAN SYSTEM AS A USEFUL INSTRUMENT, ESPECIALLY FOR COLLECTIVE SECURITY, INTRA-REGIONAL PEACEKEEPING AND TO DEAL WITH SELECTED REGIONAL PROBLEMS. FROM THE POINT OF VIEW OF THE NATO ALLIANCE, THE SYSTEM CONTINUES TO BE A POSITIVE ELEMENT OF REGIONAL STABILITY.

4. CUBA NO LONGER APPEARS TO PRESENT A PROBLEM FOR INTER-AMERICAN RELATIONS, NOW THAT THE CONTROVERSY OVER THE OAS SANCTIONS HAS BEEN RESOLVED. CUBA CONTINUES TO SEEK TO REHABILITATE ITSELF AS A MEMBER OF THE LATIN AMERICAN COMMUNITY. IT HAS BEEN RE-ADMITTED TO THE LATIN AMERICAN BLOC IN THE UNITED NATIONS AND WAS ONE OF THE FOUNDER MEMBERS OF THE NEW LATIN AMERICAN ECONOMIC ORGANIZATION, SELA. CUBA, HOWEVER, HAS MADE IT CLEAR THAT IT DOES NOT WISH TO RE-ENTER THE OAS. BOTH THE UNITED STATES AND CUBA HAVE INDICATED THAT THEY ARE WILLING TO NEGOTIATE TO SEE WHETHER RELATIONS SHOULD BE RE-ESTABLISHED. CUBA, HOWEVER, APPEARS TO HAVE SET CERTAIN PRE-CONDITIONS FOR A BILATERAL DIALOGUE, ALTHOUGH THE PRECISE CUBAN POSITION IS UNCLEAR. CUBA'S RECENT ATTEMPTS ON BEHALF OF THE PUERTO RICAN INDEPENDENCE MOVEMENT CONSTITUTE AN OBSTACLE TO RENEWED RELATIONS WITH THE UNITED STATES.

5. NEGOTIATIONS OF A NEW PANAMA CANAL TREATY CONTINUE. THE ISSUE HAS BECOME INCREASINGLY CONTROVERSIAL IN THE UNITED STATES, BUT THE US ADMINISTRATION INTENDS TO PUSH AHEAD WITH THE NEGOTIATIONS AND EXPECTS TO BE ABLE TO CONCLUDE A NEW TREATY WHICH MUST THEN BE SUBMITTED TO THE CONGRESS FOR APPROVAL.
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6. ON THE THE SAME DAY THE OAS SANCTIONS AGAINST CUBA WERE FORMALLY LIFTED, 29TH JULY, DELEGATIONS FROM 25 LATIN AMERICAN AND CARIBBEAN NATIONS INCLUDING CUBA BEGAN MEETING IN PANAMA TO CONSIDER THE MEXICAN AND VENEZUELAN PROPOSAL TO LAUNCH A LATIN AMERICAN ECONOMIC SYSTEM (SELA). AGREEMENT IN PRINCIPLE FOR ITS CREATION WAS REACHED AND, ON 18TH OCTOBER, AT A SUBSEQUENT MEETING HELD AGAIN IN PANAMA, THE TREATY INSTITUTING SELA WAS SIGNED BY 23 COUNTRIES WITH THE OTHER TWO (BARBADOS AND GRENADA) UNDERTAKING TO DO SO WITHIN THIRTY DAYS.

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7. WHILE THE TREATY REMAINS SUBJECT TO RATIFICATION, THE EXISTENCE OF SELA MAY ALREADY BE REGARDED AS A FACT. IT COULD BE A POSITIVE DEVELOPMENT IN INTER-AMERICAN AFFAIRS. IT IS TOO SOON, HOWEVER, TO PREDICT TO WHAT EXTENT IT WILL ACHIEVE ITS VARIOUS GOALS, SOME OF WHICH ARE VERY AMBITIOUS. MOREOVER, SEVERAL COUNTRIES, INCLUDING BRAZIL AND ARGENTINE, HAVE HAD, AND CONTINUE TO HAVE, RESERVATIONS ABOUT THE WAY IN WHICH SELA WILL WORK. AS A MINIMUM AND IN ITS EARLY PHASE IT WILL MOST PROBABLY SERVE AS AN AGENCY TO CO-ORDINATE THE POSITIONS OF MEMBER COUNTRIES ON THE GLOBAL ECONOMIC ISSUES ARISING AT THE UNITED NATIONS. IN THIS RESPECT IT WILL REPLACE THE AD HOC SPECIAL LATIN AMERICAN CO-ORDINATING COMMITTEE (CECLA) WHICH HAS BEEN FUNCTIONING INTERMITTENTLY AND WITHOUT A PERMANENT SECRETARIAT SINCE 1963. WHETHER IT WILL PLAY THE SAME CO-ORDINATING ROLE, OVER AND ABOVE THE EXISTING REGIONAL GROUPS, IN ARRIVING AT COMMON POSITIONS VIS-A-VIS THE UNITED STATES OR THE EUROPEAN COMMUNITY SEEMS HIGHLY DOUBTFUL. FOR THE TIME BEING, AT LEAST, LATIN AMERICAN COUNTRIES SEEM TO BE SEEKING TO IMPROVE THEIR BARGAINING POWER THROUGH CONSULTATION AND CO-ORDINATION WITH COUNTRIES OUTSIDE THE REGION.

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8. A WHOLE ARRAY OF CONCRETE ENDEAVOURS ARE FORESEEN IN THE FOUNDING RESOLUTION AS MEANS OF FOSTERING REGIONAL SOLIDARITY IN SPITE OF THE MANY DISPARITIES. SOME PROGRESS HAS BEEN SCORED ON ONE OF THESE, THE FORMATION OF INDIGENOUS MULTINATIONAL COMPANIES, THROUGH THE CREATION IN MAY OF A CARIBBEAN MULTINATIONAL SHIPPING COMPANY, NAMUCAR. THIS INVOLVES THE PARTICIPATION SO FAR OF EIGHT COUNTRIES INCLUDING MEXICO, VENEZUELA AND CUBA.

9. THIS ASPIRATION OF COUNTRIES IN THE REGION TO FORM THEIR OWN ECONOMIC CAUCUS WAS ALSO REFLECTED AT THE ANNUAL MEETING IN MAY OF THE UN ECONOMIC COMMISSION FOR LATIN AMERICA (ECLA). NON-REGIONAL PARTICIPANTS WERE EXCLUDED FROM CERTAIN COMMITTEES AND A VERY RESTRICTED CARIBBEAN DEVELOPMENT CO-OPERATION COMMITTEE WAS SET UP. THIS TREND MAY CAUSE

PROBLEMS AT THE NEXT ANNUAL MEETING.

10. THE SUB-REGIONAL GROUPS MAY BE SPURRED INTO INCREASED ACTIVITY IF THEY ARE NOT TO LOSE THEIR IDENTITY IN FAVOUR OF A LOOSER SUB-CONTINENTAL ORGANIZATION. AMONG THEM, THE ANDEAN GROUP HAS MANAGED TO OVERCOME TWO MAJOR HURDLES IN SEPT AFTER SOME MONTHS OF RELATIVE INACTION. AGREEMENT WAS REACHED ON THE ALLOCATION OF PRODUCTION RIGHTS IN THE IMPORTANT PETRO-CHEMICAL AND AUTOMOTIVE SECTORS. THE CENTRAL AMERICAN COUNTRIES ARE MAKING RENEWED EFFORTS TO RESTORE THE CENTRAL AMERICAN COMMON MARKET, VIRTUALLY PARALYZED FOR SOME YEARS PAST. EVEN THE RIO DE LA PLATA GROUP HAS DISPLAYED SOME ACTIVITY IN SPITE OF THE DEEP MUTUAL SUSPICIONS BETWEEN ARGENTINA AND BRAZIL.

PART II - IMPACT ON THE REGION OF GLOBAL ECONOMIC DEVELOPMENTS

11. THE CURRENT ECONOMIC CRISIS OF THE INDUSTRIALIZED WORLD IS HAVING SERIOUS REPERCUSSIONS ON THE ECONOMY OF THE LATIN AMERICAN COUNTRIES. 75 PERCENT OF LATIN AMERICAN EXPORTS GO TO OECD MEMBER COUNTRIES AND LATIN AMERICA DEPENDS PRACTICALLY COMPLETELY ON THESE COUNTRIES FOR ITS URGENTLY NEEDED IMPORTS FOR HER DEVELOPMENT PROGRAMMES. SLOWING DOWN OF THE OECD COUNTRIES' ECONOMIC ACTIVITIES MEANS PROBLEMS FOR LATIN AMERICAN EXPORTS, WORSENING OF THE EMPLOYMENT SITUATION AND FALLING PRICES FOR SOME RAW MATERIALS ON THE EXPORT OF WHICH SEVERAL

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LATIN AMERICAN COUNTRIES DEPEND HEAVILY. THE EFFECTS ON THE BALANCE OF PAYMENTS SITUATION ARE OBVIOUS. THEY ARE INCREASED BY THE GROWING OIL PRICES. IN CONSEQUENCE THE LATIN AMERICAN PRIVATE AND ESPECIALLY PUBLIC INDEBTEDNESS IS IN SOME CASES GROWING TO A PREOCCUPYING EXTENT.

12. THE SITUATION IS AGGRAVATED BY THE FACT THAT SOME OF THE INDUSTRIALIZED COUNTRIES ARE INCREASINGLY CONCENTRATING THEIR PUBLIC DEVELOPMENT AID (ESPECIALLY LOW INTEREST CREDITS) ON THE LEAST DEVELOPED COUNTRIES (LDCS) AND MOST SERIOUSLY AFFECTED COUNTRIES (MSAS). THE FLOW OF FOREIGN PRIVATE CAPITAL HAS BEEN TENDING TO DRY UP, IN SOME CASES FOR GENERAL CONJUNCTURAL REASONS, IN OTHERS FOR LACK OF ATTRACTIVE CONDITIONS, AS A RESULT EITHER OF A BAD DOMESTIC ECONOMIC SITUATION OR RESTRICTIVE FOREIGN INVESTMENT PROVISIONS.

13. AS A SOUND AND EXPANDING ECONOMY IS VITAL FOR CONSTRUCTIVE SOCIAL AND POLITICAL DEVELOPMENT IN LATIN AMERICA AND THE FUTURE OF THIS BASICALLY WESTERN SUB-REGION WILL BE OF GREAT IMPORTANCE TO THE WEST, MEMBER COUNTRIES OF THE ALLIANCE SHOULD IN THEIR OWN INTEREST TRY THEIR UTMOST TO OPEN THEIR MARKETS TO LATIN AMERICAN PRODUCTS. THEY SHOULD ALSO PROMOTE MECHANISMS WHICH WILL CONTRIBUTE TO THE STABILIZATION OF DEVELOPING COUNTRIES' EXPORT EARNINGS.

14. LATIN AMERICAN COUNTRIES HAVE CONTINUED TO DISPLAY A HIGH DEGREE OF INTEREST IN PROMOTING PRODUCER CARTELS IN THOSE PRODUCTS OTHER THAN OIL FOR WHICH LATIN AMERICA IS SIGNIFICANT. HOWEVER, THE DIFFICULTIES OF REPRODUCING AN OPEC-TYPE AGREEMENT HAVE PROVED TO BE INSURMOUNTABLE AND THERE IS EVIDENCE THAT THEY ARE NOW SEARCHING FOR ALTERNATIVE FORMULAE TO MAINTAIN EXPORT EARNINGS.

15. BRAZIL AND ARGENTINA HAVE DEMONSTRATED THEIR INTENTION TO ACQUIRE ADVANCED NUCLEAR TECHNOLOGY. THE EXPERTS AGREED THAT, IN VIEW OF THE DIFFICULTY OF LIMITING OVER THE LONG RUN THE SPREAD OF NUCLEAR TECHNOLOGY TO THE ADVANCED COUNTRIES OF LATIN AMERICA, THE PARTICIPATION OF THESE COUNTRIES IN THE INTERNATIONAL SYSTEM OF SAFEGUARDS AND NON-PROLIFERATION IS PARTICULARLY IMPORTANT.

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PART III - RELATIONS WITH THE OUTSIDE WORLD

(A) THE EUROPEAN COMMUNITIES

16. SINCE THE TREATY OF ROME, LATIN AMERICA HAS PAID INCREASING ATTENTION TO THE COUNTRIES OF THE EC. LATIN AMERICA NOW SELLS OVER ONE-THIRD OF ITS EXPORTS TO THE COMMUNITY WHICH IS NOW AS IMPORTANT A MARKET FOR LATIN AMERICA AS THE USA.

17. IN THE PRESENT CONDITIONS OF WORLD-WIDE ECONOMIC RECESSION, THE LATIN AMERICAN COUNTRIES - WITH THE EXCEPTION OF THE ONE MAJOR LATIN AMERICAN OIL EXPORTER (VENEZUELA) - ARE HAVING TO LOOK AROUND HARD FOR ADDITIONAL MARKET ACCESS TO HELP WITH THE BALANCE OF PAYMENTS AND, INDEED, WITH THEIR SOLVENCY.

18. THE EEC HAS BEEN THE TARGET FOR A GREAT DEAL OF CRITICISM FROM LATIN AMERICA. IT HAS MAINLY TAKEN THE FORM OF SUGGESTING THAT THE LOME CONVENTION IS DISCRIMINATORY. THERE ARE INDICATIONS THAT SOME LATIN AMERICAN COUNTRIES WOULD WELCOME THE EXTENSION TO THEM OF LOME OR OF SIMILAR AGREEMENTS, WHILE OTHERS OBJECT TO THE PRINCIPLE OF SUCH ARRANGEMENTS. LATIN AMERICAN COUNTRIES CONTINUE TO FEEL THAT THEIR SPECIAL DIFFICULTIES AS DEVELOPING COUNTRIES ARE IGNORED. THE CONTINUING EEC RESTRICTIONS ON BEEF IMPORTS (AFFECTING IN DIFFERENT MEASURE ARGENTINA, URUGUAY AND BRAZIL) HAVE TENDED TO REINFORCE LATIN AMERICAN SUSPICIONS THAT THE EEC IS A CLOSED MARKET.

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19. EFFORTS HAVE BEEN MADE BY BOTH SIDES TO PROMOTE A DIALOGUES: THROUGH CECLA AND THE JOINT LATIN AMERICA-EEC WORKING PARTY, SUPPLEMENTED BY A D HOC EXCHANGES IN THE JOINT EEC COMMISSIONS WITH THOSE LATIN AMERICAN COUNTRIES WITH WHICH IT HAS TRADE PACTS (MEXICO, ARGENTINA, URUGUAY AND BRAZIL).

20. A SIGN OF THE WISH TO IMPROVE THE EXISTING EEC-LATIN AMERICAN RELATIONSHIP WAS THE RECENT VISIT OF SIR CHRISTOPER SOAMES TO CERTAIN LEADING LATIN AMERICAN COUNTRIES. FROM THE LATIN AMERICAN SIDE A CONTINUING HANDICAP HAS BEEN THE UNFAMILIARITY OF BUSINESSMEN IN THE COUNTRIES OF LATIN AMERICA WITH THE TARIFF MECHANISM OF THE COMMUNITY AND THEIR CONSEQUENT INABILITY TO MAKE THE FULLEST USE OF THE GENERAL SYSTEM OF PREFERENCES. THOSE LATIN AMERICAN COUNTRIESWHICH CHIEFLY EXPORT AGRICULTURAL PRODUCTS ARE FOR THE MOST PART UNLIKELY TO BE ABLE TO DERIVE MUCH BENEFIT.

21. GIVEN THE DECISION OF THE LATIN AMERICAN LEADERS TO DIVERSIFY THEIR FOREIGN AND TRADING RELATIONS IT IS LIKELY THAT THEY WILL CONTINUE TO KNOCK AT THE EEC DOOR IN THE HOPE THAT
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IT WILL BE OPENED MORE WIDELY.

(B) THE COMMUNIST WORLD

22. IN THE FIELD OF GOVERNMENT RELATIONS THE SOVIET UNION AND CUBA, AND OTHER SOCIALIST COUNTRIES SUCH AS RUMANIA, HAVE CONTINUED TO BUILD UP THEIR OFFICIAL CONTACTS WITH LATIN AMERICA IN A NOW WELL-ESTABLISHED PATTERN. MEXICO TROD NEW GROUND IN

AUGUST IN BECOMING THE FIRST LATIN AMERICAN COUNTRY (CUBA APART) TO SIGN AN ECONOMIC AND TECHNOLOGICAL CO-OPERATION AGREEMENT WITH COMECON (SHORTLY AFTER CONCLUDING A SIMILAR AGREEMENT WITH THE EEC). AT SOVIET-BRAZILIAN TRADE TALKS IN LAST MARCH IT WAS AGREED THAT TWO-WAY TRADE SHOULD BE MORE THAN DOUBLED. MAJOR CONTRACTS IN THE HYDRO-ELECTRICAL FIELD HAVE BEEN SIGNED BETWEEN ARGENTINA AND THE SOVIET UNION.

23. IN THE INTERNATIONAL COMMUNIST CONTEXT THE CONFERENCE OF COMMUNIST PARTIES HELD IN HAVANA IN JUNE SEEMS TO HAVE MARKED THE RETURN OF THE CUBANS TO SOVIET ORTHODOXY. JUDGING FROM SOVIET PUBLISHED SOURCES, THE TACTICS CURRENTLY FAVOURED BY MOSCOW IN RELATION TO LATIN AMERICA SEEM TO BE THOSE OF THE UNITED FRONT WITH THE EMPHASIS ON WORKING THROUGH EXISTING PARTIES AND INSTITUTIONS. SOVIET AND CHINESE TACTICS CAN CURRENTLY BE SEEN TO DIFFER IN ALIGNMENT BOTH VIS-A-VIS LATIN AMERICAN POLITICAL GROUPINGS IN SITU AND VIS-A-VIS EXPATRIATE MOVEMENTS: THIS IS PARTICULARLY EVIDENT WITH REGARD TO CHILE.

(C) THE THIRD WORLD

24. DESPITE DIFFERENCES OF EMPHASIS IN THE ATTITUDE OF CERTAIN COUNTRIES THERE HAS BEEN INCREASING EVIDENCE IN RECENT MONTHS THAT LATIN AMERICA AS A WHOLE HAS CONFIRMED ITS ALIGNMENT WITH THE THIRD WORLD.

25. ECONOMICALLY- SPEAKING , THE SUB-CONTINENT HAS IDENTIFIED ITSELF TO A GREAT EXTENT WITH THE HOPES AND AMBITIONS PINNED BY THE DEVELOPING COUNTRIES ON THE INTRODUCTION OF A NEW WORLD ECONOMIC ORDER (A CONCEPT WHICH HAS YET TO BE DEFINED). NOT ONLY DOES THE FORCEFULNESS OF THE DEMANDS NOT APPEAR TO BE AFFECTED BY THE IDEOLOGICAL PREFERENCES OF THE DIFFERENT COUNTRIES BUT THERE IS A COMMON BODY OF ASPIRATIONS IN THE MAKING WHICH IS CONFIDENTIAL

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NOT APPARENTLY WEAKENED BY POLITICAL DIFFERENCES. THE DETERMINATION TO ACHIEVE NATIONAL CONTROL OVER THE ECONOMY AS FAR AS POSSIBLE IS ALSO TO BE FOUND IN EVERY COUNTRY IN THE AREA. HOWEVER, SOME (BRAZIL, CHILE) ARE MORE CONCERNED WITH ATTRACTING FOREIGN CAPITAL THAN WITH KEEPING A HOLD OVER IT. A TENDENCY TOWARDS MORE FLEXIBLE CONTROL OF FOREIGN INVESTMENTS IS MOREOVER BECOMING APPARENT. THIS TENDENCY COULD, HOWEVER, BE MOTIVATED BY THE PRESENT ECONOMIC CRISIS.

26. ANXIETY OVER ECONOMIC PROBLEMS MAY EXPLAIN THE INTEREST SHOWN BY THE LATIN AMERICAN COUNTRIES IN THE ASSOCIATION OF NON-ALIGNED COUNTRIES WHOSE PRINCIPAL AIMS NOW ARE LIKEWISE OF AN ECONOMIC NATURE. THE CONFERENCE OF MINISTERS OF NON-ALIGNED COUNTRIES HELD IN LIMA FROM 25TH TO 29TH AUGUST WAS ATTENDED BY SEVEN LATIN AMERICAN COUNTRIES PARTICIPATING AS MEMBERS, EIGHT AS OBSERVERS AND TWO WHICH WERE PRESENT AS GUESTS. IT SHOULD NOT BE CONCLUDED, HOWEVER, THAT LATIN

AMERICA SHARES ALL THE AIMS OF THIS GROUPING. INDEED IT REFRAINED FROM DISCUSSING ITS OWN AFFAIRS EXCEPT TO THE EXTENT THAT THEY INVOLVE NON-LATIN AMERICAN POWERS (AS IN THE CASES OF PANAMA, PUERTO RICO, BELIZE AND THE FALKLAND ISLANDS). THIS BEING THE CASE, THE GROWING INFLUENCE OF LATIN AMERICA, THE LYCH-PIN BETWEEN THE INDUSTRIALIZED WORLD AND THE DEVELOPING COUNTRIES, MAY TEMPER THE IDEOLOGICAL EXTREMISM OF THE NON-ALIGNED MOVEMENT BY THROWING ITS ECONOMIC REALISM INTO THE BALANCE, THEREBY PERHAPS INCREASING THE EFFECTIVENESS OF THIS GROUP IN INTERNATIONAL ECONOMIC FORA.

PART IV - COUNTRY STUDIES

27. NEITHER MADAME PERON'S DEPARTURE NOR HER RETURN HAS BROUGHT A SOLUTION TO THE PROBLEMS OF STRIFE-TORN ARGENTINA.

28. A REALIGNMENT OF THE DIFFERENT TENDENCIES IN THE JUSTICIALIST MOVEMENT, FOLLOWING THE DEATH OF THE "LEADER", HAS YET TO BE ACHIEVED. THE QUESTION ARISES WHETHER A NEW CENTRE OF GRAVITY, ADMITTEDLY TO THE LEFT OF ORTHODOX VERTICALISM, CAN BE FORMED AROUND LUDER, CAMPORA AND CERTAIN TRADE UNION LEADERS INCLUDING CALABRO.

29. IN THE FORCES, THE DEBATE CONTINUES. SO FAR, THEY
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HAVE REMAINED LOYAL TO THE POLICY OF ABIDING BY CONSTITUTIONAL FORMS, THEREBY ENABLING THE GOVERNMENT TO EXPLORE EVERY AVENUE IN ITS QUEST FOR A SOLUTION TO THE ECONOMIC PROBLEM BEFORE DECIDING ON A PLAN OF ACTION OF THEIR OWN.

30. GUERRILLA FIGHTERS AND TERRORISTS HAVE CLOSED THEIR RANKS AND HAVE BECOME MORE ACTIVE THAN EVER. THEIR IMMEDIATE AIM DOES NOT HOWEVER SEEM TO BE EITHER A GENERALIZED CIVIL WAR OR A POWER TAKE-OVER. THE "MONTONEROS" WHO SPRANG FROM THE JUSTICIALIST MOVEMENT SEEM RATHER TO WISH TO BUILD UP THEIR STRENGTH AND THEREBY INCREASE THE INFLUENCE THEY CAN EXERCISE FROM THE OUTSIDE ON GOVERNMENT POLICY AND ON THE MOVEMENT TO WHICH THEY REGARD THEMSELVES AS STILL BELONGING DESPITE THEIR EXCLUSION.

31. IT IS NOT INCONCEIVABLE, HOWEVER, THAT CERTAIN LEFT WING EXTREMISTS MAY WISH TO PROVIDE THE ARMY WITH SEIZING POWER AND BANK ON THE FAILURE OF A NEW DOSE OF MILITARY GOVERNMENT COUPLED WITH INTERNATIONAL ISOLATION.

32. ARGENTINA'S ECONOMIC AND FINANCIAL SITUATION IS GOING DOWNHILL EVER FASTER. THE QUEST FOR A REMEDY HINGES ENTIRELY HOWEVER ON THE RESTORATION OF POLITICAL AUTHORITY. MINISTER CAFIERO'S CONTACTS IN THE UNITED STATES PRODUCED SOME SHORT-TERM RELIEF TO THE ACUTE BALANCE OF PAYMENTS PROBLEMS. ON THE OTHER HAND HIS HOPES OF FINDING PRIVATE CAPITAL, GIVEN

THE POSITION OF BUSINESS IN ARGENTINA, WERE DASHED.

33. IN THE COMING MONTHS, ARGENTINA WILL NEED SYMPATHETIC UNDERSTANDING ON THE PART OF THE ALLIANCE MEMBER COUNTRIES IF IT IS TO PRESERVE CONSTITUTIONAL CONTINUITY.

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34. IN BRAZIL THE POLICY OF GRADUAL LIBERALISATION (DECOMPRESSION) IS LINKED TO DEVELOPMENTS IN THE ECONOMIC SITUATION. WITH THE ECONOMY MARKING TIME, DECOMPRESSION HAS COME TO A STANDSTILL WHICH MAY CONTINUE FOR SOME TIME. THIS STATE OF AFFAIRS IS WELCOMED BY MANY IN THE FORDES WHO ARE UNEASY ABOUT THE RE-EMERGENCE OF PARLIAMENTARY FORCES.

35. EXPANSION IS STILL THE ORDER OF THE DAY DESPITE A CERTAIN SLOWING DOWN WHICH IS DUE TO THE WORLD ECONOMIC SITUATION AND THE APPEARANCE OF BOTTLENECKS. THE LACK OF NATIONAL ENERGY RESOURCES AND THE MAGNITUDE OF FOREIGN INDEBTEDNESS ARE CAUSING CONCERN TO THE AUTHORITIES. THE POOR COFFEE CROP IS ADDING TO THE GROWING DEBIT IN THE BALANCE OF PAYMENTS.

36. BRAZIL'S BILATERAL RELATIONS WITH THE OUTSIDE WORLD ARE MAINLY CONDITIONED BY ITS DIRECT ECONOMIC INTERESTS AND THE QUEST FOR OUTLETS FOR ITS NEWLY ESTABLISHED MANUFACTURING INDUSTRY.

37. IT IS NOTEWORTHY THAT PRIVATE FOREIGN PARTICIPATION
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IN OIL EXPLORATION WILL HENCE FORWARD BE ALLOWED ALTHOUGH THE CONDITIONS OF SUCH PARTICIPATION HAVE YET TO BE DETERMINED.

38. IN CHILE, THE MILITARY JUNTA WHICH HAS NOT RELAXED ITS GRIP OVER THE COUNTRY IS DETERMINED, AND SEEMS TO HAVE NO OPTION BUT TO REMAIN IN POWER.

39. THERE IS A GROWING FEELING OF UNEASINESS THROUGHOUT THE COUNTRY. THIS IS DUE TO THE HIGH SOCIAL COST (UNEMPLOYMENT AND FALLING PURCHASING POWER) OF THE ECONOMIC POLICY ADOPTED AND TO A CERTAIN IMPATIENCE WITH THE ABSENCE OF DEMOCRATIC LIBERALIZATION. THIS COULD LEAD TO CERTAIN DIFFERENCES OF OPINION IN THE ARMY AND WITHIN THE JUNTA ITSELF.

40. THE DRIVE TO ELIMINATE WHAT REMAINS OF ACTIVE OPPOSITION TO THE MILITARY REGIME IS BEING PURSUED AND THE LEGAL LIMITS LAID DOWN IN RECENT JUNTA REGULATIONS ARE DISREGARDED BY THE POLITICAL POLICE.

41. THE EXILED, LEFT WING OPPOSITION IS POWERLESS TO INFLUENCE EVENTS INSIDE THE COUNTRY. THE CHRISTIAN DEMOCRATS ARE IN DISARRAY. ONE WING (LEFT AND CENTRE LEFT, IN EXILE) IS ATTEMPTING TO JOIN UP WITH ELEMENTS OF THE OLD POPULAR UNITY TO FORM A COMMON DEMOCRATIC FRONT. ANOTHER WING, WHICH STAYED IN CHILE, HAD HOPED TO BE ABLE TO INFLUENCE THE JUNTA'S POLICY BUT, FACED WITH ITS RELENTLESSNESS, NOW FINDS ITSELF IN A CLEFT STICK.

42. WHILE AVOIDING A CONFRONTATION, THE CATHOLIC CHURCH CONTINUES TO BE CRITICAL OF JUNTA POLICY. IT HAS BEEN DISAPPOINTED BY ITS FAILURE TO PURSUADE THE JUNTA TO ADOPT A POLICY OF NATIONAL RECONCILIATION AND HAS VOICED RESERVATIONS ABOUT ITS ECONOMIC SOLUTIONS. THERE ARE CERTAIN SIGNS OF GROWING JUNTA PRESSURE ON THE CHURCHES, PARTICULARLY BY MEANS OF ATTACKS ON THEIR HUMANITARIAN ACTIVITIES IN THE COMMITTEE FOR PEACE.

43. RESPECT FOR HUMAN RIGHTS IN CHILE IS OF CONTINUING CONCERN TO PUBLIC OPINION AND GOVERNMENTS IN NATO MEMBER COUNTRIES. A FRESH WAVE OF PUBLIC INDIGNATION AND SOME HARDENING IN THE ATTITUDE OF GOVERNMENTS WERE PROVOKED BY THE JUNTA'S REFUSAL TO ALLOW A SPECIAL WORKING GROUP OF THE UNITED NATIONS CONFIDENTIAL

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HUMAN RIGHTS COMMISSION TO ENTER THE COUNTRY AND BY THE REPORT DRAFTED BY THE COMMISSION, WHICH, AS A RESULT OF THEIR EXCLUSION, WAS EVEN MORE CRITICAL THAN IT WOULD OTHER WISE HAVE BEEN.

4. THERE HAS BEEN NO BOYCOTT OF CHILE IN LATIN AMERICA AND AT THE CONFERENCE OF NON-ALIGNED COUNTRIES IN LIMA, AS IN OTHER INTERNATIONAL GATHERINGS, IT HAS BENEFITED FROM THE

SOLIDARITY OF THE LATIN AMERICAN GOVERNMENTS ALTHOUGH A NUMBER OF THEM BOTH IN THEIR BILATERAL RELATIONS AND WITHIN THE FRAMEWORK OF LESS PUBLIC CONTACTS HAVE MADE NO SECRET OF THEIR EMBARRASSMENT.

45. THE PIR SHOWS NO SIGN OF LOSING ITS DOMINANT POSITION IN MEXICAN POLITICAL LIFE. THE DESIGNATION OF MR. LOPEZ PORTILLO AS CANDIDATE FOR THE PRESIDENCY - WHICH MAKES HIM THE FUTURE PRESIDENT - CAME AS A SURPRISE TO A NUMBER OF OBSERVERS BUT PUT AN END TO PRESSURES WHICH WERE BUILDING UP IN THE PARTY. MR. PORTILLO HAS PROVIDED EVIDENCE IN HIS PREVIOUS POSITIONS OF HIS TALENTS AS A CONCILIATOR. WHILE HE HAS THE SUPPORT OF THE TRADE UNIONS WITHIN HIS PARTY, HE CAN ALSO RELY ON A CERTAIN AMOUNT OF SYMPATHY IN BUSINESS CIRCLES.

46. MR. LOPEZ PORTILLO HAS GIVEN NO INDICATION SO FAR OF THE POLITICAL STANCE HE INTENDS TO ADOPT. GIVEN MEXICO'S GROWING ECONOMIC AND SOCIAL PROBLEMS, THE QUESTION ARISES WHETHER THE NEW TEAM WILL NOT HAVE TO PAY MORE ATTENTION TO DOMESTIC PROBLEMS AND TO CUT DOWN ON INTERNATIONAL ACTIVITIES WHICH WERE MR. ECHEVERRIA'S MAIN INTEREST.

47. THE DISCOVERY OF RICH OIL DEPOSITS MAY HELP TO SOLVE CERTAIN ECONOMIC DIFFICULTIES IN THAT MEXICO WILL BE EXPORTING OIL AS FROM THIS YEAR. IN SOME YEARS, IT MAY EVEN BECOME ONE OF THE MAIN OIL PRODUCERS. THE LOPEZ PORTILLO GOVERNMENT WILL THEN HAVE TO DECIDE ON ITS POSITION VIS-A-VIS OPEC.

48. THE FACT THAT THE NON-ALIGNED COUNTRIES, AT THEIR RECENT LIMA CONFERENCE, ENDORSED BELIZE'S RIGHT TO INDEPENDENCE IS A NEW FACTOR IN THE DISPUTE. IT HAS ENCOURAGED BELIZE AND HAS BEEN SEEN AS A REBUFF BY GUATEMALA. THERE IS LIKELY TO BE PRESSURE AT THE PRESENT SESSION OF THE UNITED NATIONS ON ALL CONCERNED TO FIND A SOLUTION.
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